

105TH CONGRESS
1ST SESSION

H. R. 1554

To amend the Internal Revenue Code of 1986 to provide that the commercial activities of an Indian tribal organization shall be subject to the unrelated business income tax.

IN THE HOUSE OF REPRESENTATIVES

MAY 8, 1997

Mr. HUTCHINSON (for himself, Mr. BLUNT, Mr. SANDLIN, and Mr. EDWARDS) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that the commercial activities of an Indian tribal organization shall be subject to the unrelated business income tax.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF INDIAN COMMERCIAL ACTIVI-**
4 **TIES UNDER UNRELATED BUSINESS INCOME**
5 **TAX.**

6 (a) IN GENERAL.—Paragraph (2) of section 511(a)
7 of the Internal Revenue Code of 1986 (relating to imposi-
8 tion of tax on unrelated business income of charitable, etc.,

1 organizations) is amended by adding at the end the follow-
2 ing new subparagraph:

3 “(C) COMMERCIAL ACTIVITIES OF INDIAN
4 TRIBES.—

5 “(i) IN GENERAL.—Except as pro-
6 vided in clause (ii), the tax imposed by
7 paragraph (1) shall apply in the case of
8 any Indian tribal organization.

9 “(ii) EXCEPTION FOR CERTAIN AC-
10 TIVITIES.—Clause (i) shall not apply to
11 any trade or business—

12 “(I) more than half the income of
13 which is normally derived (directly or
14 indirectly) from members of the In-
15 dian tribe involved, and

16 “(II) which does not compete
17 with any trade or business subject to
18 tax under this chapter (determined
19 without regard to this subparagraph).

20 “(iii) INDIAN TRIBAL ORGANIZA-
21 TION.—For purposes of this subparagraph,
22 the term ‘Indian tribal organization’ means
23 any Indian tribe and any organization
24 which is exempt from tax under this sub-

1 title solely by reason of being owned or
2 controlled by an Indian tribe.”

3 (b) TREATMENT OF AMOUNTS PAID FOR CHARI-
4 TABLE PURPOSES, ETC., BY REASON OF STATE OR FED-
5 ERAL LAW.—Subsection (b) of section 512 of such Code
6 is amended by adding at the end the following new para-
7 graph:

8 “(18) In the case of an Indian tribal organiza-
9 tion (as defined in section 511(a)(2)(C)), if, by rea-
10 son of State or Federal law or of a contract with the
11 United States or any State or local government,
12 such organization is required to use any portion of
13 the net proceeds of any activity for specified pur-
14 poses, the deduction for so using such proceeds shall
15 be treated as allowed under section 170 for purposes
16 of applying paragraph (10). The preceding sentence
17 shall not apply to such proceeds which are paid as
18 general revenues to the United States or any State
19 or local government.”

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this Act.

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